APP F IX—6

1923 —1924

File No. G.F. 162.2B

Serial Nos. 5. A.

General & Revenue Secretariat.

WD 299 prompt Dept

Reserve

PART A—MANUSCRIPT FOR 192 .

"F" Collection General Finance Secs.

Number of Serials in the Collection Gne.

P-28-E

SUBJECT.

TABLE OF CONTENTS.

Serial No. of File	Number & Date of Letter and Contents	Reference	Page in A Proceedings
5.A.	No. Fl 1154 dated 25th August 1924, to the Comptroller to Govt. Stating that the limit of Rs 5 lakhs ~~raised by~~ fixed in G.O No. Fl 5063 dated 10.3.24 has been raised by Rs 10 lakhs and requesting that arrangements maybe made to Continue the purchase of the stock through Messrs Coutts & Co London.		1

WD 31266—GPB—330—31-3-26

15

Financial Secretary's Note dated
4th August 1924 in the matter
of the purchase of the Storage
of Railway Sterling loans.

General and Revenue Secretariat. | File No. 162 of 1923

Serial No.

Page 4 Flag K

During the War the value of money went up and the consequence was that the quotations for stocks of different kinds with fixed rates of yield below the market level went down. The Debenture Stock of our Railway Loan came under the influence of this factor and its capital value dwindled down to a discount of about 30 per cent. As Comptroller I proposed to purchase this Stock to take advantage of the large discount prevailing at the time and the proposal was approved by Government and we bought a fairly large quantity of the Stock. When, however, we were overtaken by financial difficulties and our cash position necessitated heavy borrowing to finance our capital demands, it was impossible to find money for continuing the purchase of these Debentures and the arrangement had accordingly to be held in abeyance. Quite lately, however, I found it desirable to resume it and proposed that an order might be placed with Messrs Coutts & Co. to purchase the Stock, in the first instance, for a sum of Rs 5 lakhs which represented the annual income from the existing Sinking Fund for the Sterling Loan. We had been selling from our own holdings for investment of the interest income of the Fund and as we had no more securities to sell and as

NOTE—Contn. sheet.

it

2

E (Linlithgow)

it was desirable to take advantage of the still prevailing heavy discount quotations of the Stock I suggested the resumption of its purchase. This was approved and orders were accordingly issued in letter no.5063 dated 10th March 1924. Messrs Coutts & Co. have been purchasing at the rate of about £ 11,000 stock each month from May last and at this rate the limit of Rs 5 lakhs will soon be exhausted.

2. It is now necessary to decide whether the purchases should be continued or not after the limit of Rs 5 lakhs is reached. The long pending question in regard to the Sinking Fund has now been practically settled and the Secretary of State has decided that the corpus of the Fund should not be restored to us but that we should be permitted to take the annual interest of the Fund for a long number of years. The questions to be considered are two: (1) Is it advisable to continue the purchase of this Stock ? and (2) If it is advisable, how should money be found ? The recent purchases of this Stock made by Messrs Coutts & Co. have been at the rate of 76¼ per cent which includes all incidental charges as also accrued interest up-to-date of purchase. Taking allowance for the element of interest, we may

Serial No.

take it that it costs on the whole about 76 per cent to buy up this Stock. At this rate the flat yield on the investment is 5.26 per cent. We may compare this with the yield of rupee investments in India. The two loans of the Government of India now on offer both carry the interest rate of 5 per cent and the issue price of the long-term loan is 99 and that of the short-term loan is 98¼ per cent. The yield of the long-term loan is 5.08 per cent. It will be seen that judged from the point of view of pure yield, investments in our own Railway Debenture Stock is more advantageous taking the present quotations for the different kinds of securities compared.

"and that of the Short term loan 5-05 P.C.

3. Investment in the Railway Debenture Stock has another advantage of great value to which it is necessary to invite attention. This stock is our own debt and we have to redeem it at par. If we buy it up when its value is below par, the difference between the par value and the purchase price is pure gain to us. This difference on the present quotation is about 24 per cent.

4. We have so far purchased Stock of the value of £ 382,596 and of this £ 273,249 is the Stock of our own Loan and the balance, that of another debenture issue of the late Southern an-

NOTE—Contn. sheet.

ratta

4

Serial No.

Manratta Railway Company which is identical in every respect with our own Loan and in which the Secretary of State has permitted us to make investments on account of the Sinking Fund for our Loan.

5. Including the purchases that can be made out of the balance of Rs 5 lakhs, the aggregate Stock bought may be roughly taken at £ 400,000. The Sterling Loan is £ 1,200,000 and the balance left is, therefore, £ 800,000. As the current market value of this Stock is about 76 per cent the total sterling amount required for the purchase of the whole of the remaining balance is $\frac{£\ 800,000 \times 76}{100}$ = £ 608,000. This amount converted at 1 sh. 4 d. the rupee, will be Rs 91,20,000. If, however, we take the current rate of exchange which is above 1 sh. 4 d., the rupee equivalent will be less than Rs 91,20,000 by some lakhs. While ~~While~~ the amount required for buying up the whole of the balance of the Loan is about Rs 90 lakhs; the Sinking Fund which has so far been built up for this Loan and which is now in the hands of the Government of India amounts to about Rs 140,00,000 taking the nominal value of the securities and about Rs 95,00,000 taking their realisable cash value. It will thus

NOTE—Contn. sheet.

5

Serial No.

thus be seen that we have in the Sinking Fund now existing the whole amount required for buying up the balance of the Debenture Stock.

6. The Sinking Fund is not in our custody and even if it were, it is not desirable to dispose of it as the bulk of its holding consists of 3½ per cent rupee paper which we may expect to slowly appreciate in value as the rate of interest goes down. For these two reasons, the disposal of the Sinking Fund intended for the Sterling Loan for the purchase of the Loan itself is neither possible nor advisable. But we have in the Sinking Funds of our 6¼ % and 6½ % loans the means necessary for resuming the purchase of the Railway Loan Stock. These two loans are long-term loans and the question of converting into cash the securities of their sinking funds does not arise for another 16 or 17 years. In all probability, fresh loans carrying lower rates of interest than 6¼ % and 6½ will be offered for issue simultaneously with the notification for the discharge of these two loans when the terms of their currency expire and when such a conversion operation is adopted most of the bonds will be tendered as subscription to the new loan and there will be no [illegible]

NOTE—Contn. sheet.

Serial No.

for disposal of the securities of the sinking funds held therefor.

7. In the circumstances explained above, the following proposal is practicable and advisable: The existing Funds for the 6¼ % and 6½ % loans as well as the future additions to such loans may be utilised for the purchase of the Debenture Stock out-ou of our Sterling Railway Loan. Whether the whole of this Stock could be bought up or not, depends entirely upon the supply of it offering for sale in the market. It is immaterial whether we shall be able to buy up the whole of the balance or not. The advantages of the purchase, if they cannot be had in respect of the whole of the remaining Stock, may be obtained for as much of it as could be bought. If it becomes possible to buy up the whole balance and if such purchases can be made when the discount continues to be as large as it now is and when the exchange rate is as favourable as it now is for remittances from India -- in the case of this purchase the transaction amounts to remittance of money from India to London -- the benefits resulting from the proposal will be very substantial. When the whole of the balance of the Stock is bought up there will be no need for the Sinking

Funds

NOTE—Contd. sheet.

Serial No.

Fund now held by the Government of India and it must be restored to us as a matter of course. The restored Sinking Fund will become the Sinking Funds of the 6¼ % and 6½ % Loans to the extent the similar funds of these loans were will have been used for the purchase of the Debenture Stock.

8.) As the first step in giving effect to the suggestion made in the preceding paragraph, I propose that the Comptroller may be authorised to instruct Messrs Coutts & Co. to continue the purchases on the present terms of the Debenture Stock for another Rs 25 lakhs. The present balance of the Sinking Funds of the 6¼ % and 6½ % loans is Rs 23 lakhs and I have suggested that the limit may be placed at Rs 25 lakhs in round figures.

9.) We may see now the enhanced limit works and then within what time it will be exhsuted. When the time comes for extending the limit, we may review the situation in relation to the then existing conditions and decide what action should then be taken.

m.m.k 4.8.27.

DEWAN: I wish to discuss this with the Financial Secretary if I should (a) The Ette in Green

Note Ab 3 58 ult

NOTE—Contn. sheet.

General and Revenue Secretariat. | File No. of 192 .

Serial No.

Discussed

purchase of this stock up to a limit of 10 lakhs from the accumulated sinking fund of - the 6¼ and 6½ per cent loans may be ordered - through Coutts. This may probably take 9 months to one year and then the situation may be revised. D.S.N.for His Highness information

A.R.B.
25-8.

Issue draft to Comptroller.

Letter No.Fl.1154 dated 25th August 1924 - from the Financial Secretary to the Comptroller to the Government of Mysore.

In continuation of para 3 of my letter No. 5063/G.F.162-23-2 dated 10th March 1924, I am - directed to state that the limit of Rs.5 lakhs fixed therein is raised by Rs.10 lakhs and to - request that arrangements may be made to continue to purchase the Stock through Messrs Coutts and Co. up to the enhanced limit. In the instructions to be issued to Messrs.Coutts and Co., it may be stated that preference may be given to the 1936 Stock.

D.S.N.put up.

Intd.M.N.K.
25-8-24.

Dewan)

A.R.B.
1-9.

NOTE—Contn. sheet

9

WD 0324—GPB—60,000—24-5-27

G. R. S. III-21

8

General and Revenue Secretariat.

File No. 162 of 19 23

Serial No.

DEW... 25. AUG. 1924 Reg. No. 1525

Discussed

11) Discussed.

purchase of this stock upto
Purchase of this shall upto
a limit of 10 lacs. from the
a limit of 10 lacs from the
accumulated Sinking Fund of
accumulated Sinking Fund of
the 6½ & 6½ per cent loans
the 6½ & 6½ per cent loans
may be ordered through contts.
may be ordered through Contts.
This may probably take
This may probably take
some 9 months to one year and then the
some 9 months to one year and then the
9 to 1 year when the
situation may be revised
situation may be revised.

D S N for the Hon'ble Finance Member's information
D S N for the Hon'ble Finance Member's information
Draft letter ARB 26.8.
Draft letter ARB 26.8.

Issue draft as complete

12) Issue draft as complete.
D.S.N. put up
D S N put up

14) Issued ARB 19
Issued ARB 19

Mem. dated 25/8/24 28 8
Mem. dated 25/8/24 28 8

13)

10

NOTE—Contn. sheet.

Submitted to His Highness.

15) With a view to take advantage of the heavy discount at which the Stock of our Sterling Railway Loan was being quoted in the London market some time back, arrangements were made to purchase the Stock, but the scheme had to be abandoned when, owing to financial stringency, there was no surplus cash for investment.

16) 2. We have so far purchased Stock of the face value of about £400,000 and the balance of Stock is £800,000. If we can buy up the Stock at the large discount at which it is still quoted - the present quotation is about 76 per cent. - we shall make a substantial saving to the extent of the discount secured, as we shall be saved from the obligation to redeem the loan at par according to the conditions of its issue. We have, however, no surplus cash for making these purchases and the interest income of the Sinking Fund of the loan will not also be hereafter available for the purchase of the Stock as the Secretary of State has agreed to give it to us and we have to make use of it for our Capital purposes. We have, however, the Sinking Funds of our two long term loans --6¼ % and 6½ %-- and these funds could be utilised to resume the purchase of the Sterling Loan Stock. The advantages of the arrangement are the following:-

/ (1) We shall get the benefit of the difference between the par value at which the Stock is repayable and the rate at which it is actually purchased. The transaction amounts to the cancellation of the debt to the extent of the difference.

(2) For the Sinking Funds of our 6¼ % and 6½ % loans, we can get in India, Rupee investments which can yield only about 5 %. By investing these Funds in our own Railway Stock, we shall obtain the same yield, or, if the Stock can be had at the present rates, even a slightly better yield than what the Rupee Paper gives in India.

(3)

(3) If we can purchase the whole of the remaining Stock, we shall be getting rid of the Sterling Loan altogether with all the inconveniences which are incidental to a Sterling obligation in respect of which the Secretary of State is the guarantor

(4) When the whole or the bulk of the Stock is bought up, the need for a Sinking Fund for the Sterling Loan will not exist and we can ask the Secretary of State to make over to us the existing Sinking Fund and use it as the Sinking Fund for our 6¼ % and 6½ % loans.

17) 3. In view of the above considerations, it is proposed to authorise the Comptroller to purchase, through Messrs. Coutts and Company, the said Stock for Rs.10 lakhs more. The position will be reviewed after this limit is exhausted. I report all these facts for the gracious information of His Highness.

Bangalore,
1st September 1924.

SGN.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Proposal to purchase some of th stock of our Sterling Railway Loan.

176

18) *Order.*

~~KRW~~

5/9/24

19) Financial secy

5 SEP 1924

20) Secy

13

6/9/24

6/9

G. R. S. III-21

General and Revenue Secretariat.

File No. 162 of 19 24.

Serial No.

Proceedings. To compli
No. 21 1154 d. 25. 8. 24

State Limit the limit of Rs 5 Lakhs
fixed in Govt no 21 5063 87 4620 23-2
d. 10 3/24 has been revised by Govt to Lakhs
and requests clear arrangements may
be made for Continue the purchase
of the Def stores thro' recognised

B

14

NOTE—Contn. sheet.

H 1154

25th August 24.

G.F-162-23 — 5-A.

Rajakaryaprasakta

T. Satyaraj Chetty, Esq., B.A.,
Comptroller, Mysore Government,
B A N G A L O R E.

In continuation of para 3 of my letter No.5063/G.F. 162-23-2 dated 10th March 1924, I am directed to state that the limit of Rs. 5 lakhs fixed therein is raised by Rs.10 lakhs and to request that arrangements may be made to continue to purchase the Stock through Messrs Coutts and Co. up to the enhanced limit. In the instructions to be issued to Messrs Coutts and Co., it may be stated that preference may be given to the 1936 Stock.

I have the honour to be,
S i r,
Your most obedient servant,

25/8/24

Financial Secretary to Government.

Particulars required by the Financial Secretary with reference to note dated 28th July 1924.

Submitted:-

1. 6¼% debt ~~is~~ .... . Rs. 119,46,637-8-0 including the investments on account of Muzrai institutions.

2. 6½% debt is .....Rs. 30,50,412-8-0

3. The total of the sinking fund contributions for the 6¼% loan including interest at the end of 1924-25 will be...Rs. 21,33189-0-0

4. .....Do..... for the 6½% loan will be ....Rs. 1,76,209-0-0

23

5. Face value of securities held to the credit of the Railway Sterling Loan Sinking Fund(as on 30-6-1923).

Rupee Securities :-

			Rs.
4% Government of India Pro-notes	of	1916-17,	3,50,000.
3½%.	Do. . . .	1865.	100,73,800.
3%.....	Do.....	1896-97.	10,66,100.
5%.....Do.....		1929-47.	1,00,000.
4% Madras Municipal Debentures.			3,00,000.
Total.			Rs118,89,900.

Sterling Securities:-

	£	$	d.
M. & S.M. 4% Debenture Stock.	10500-0-		0.
India 5½% Stock.....	16161-17-5.		
National 5% War Bonds 1928..	2617-18-1.		
4% Bombay City Improvement .. Trust Debentures...	31300-0-0.		
Total.	£.86579-15-6.		

6. The Face value of the Railway Debenture stock bought through Messrs. Coutts & Co., upto 30-6-1924 is....

(1936 Stock)	£ 273,249/
(1938 Stock)	£ 109,347./
Total.	£ 382,596./

7. The rupee cost, as borne in the books, of the above stock is ..... Rs.38,13,117-11-2. As the total - Sterling cost is not readily available the average rate per cent of nominal stock will be submitted separately.

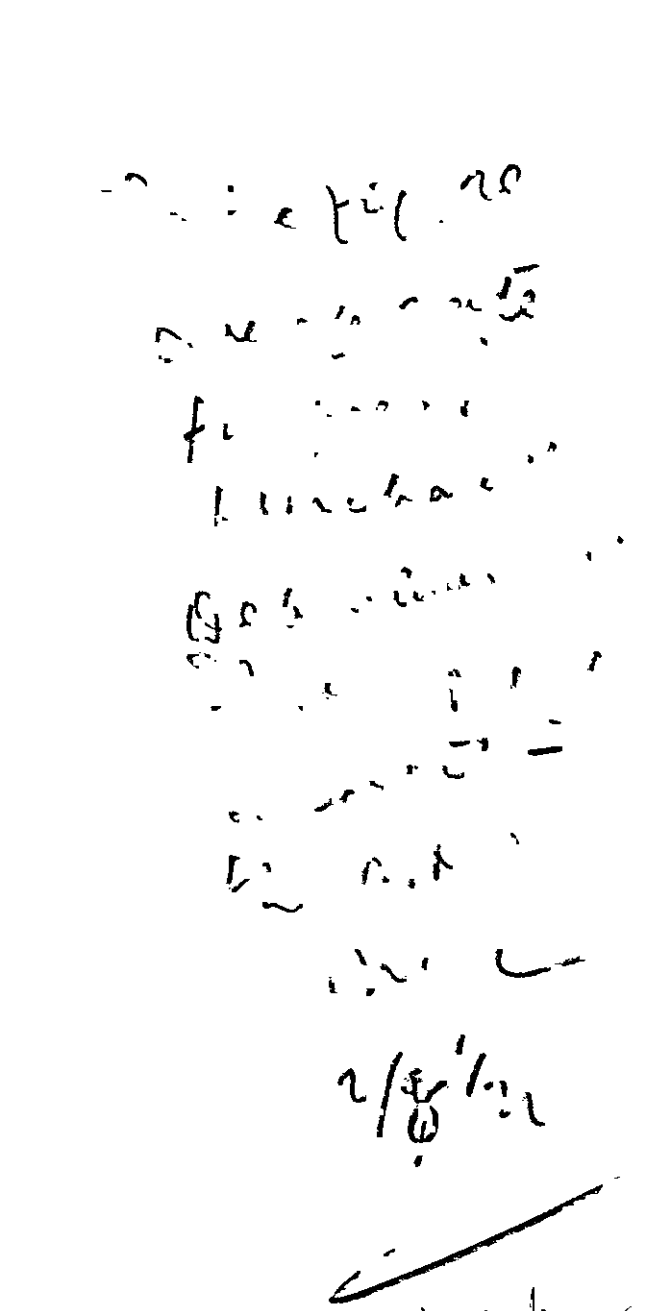
8. The following stock have been - bought in the months of May and June 1924 in response to our recent order:-

£ 11059 in May.

£ 11500 in June.

The average price paid(including commission charges and also accrued - interest upto the date of purchase) per £100 ~~Cent~~ of this stock is £77¼/-

E. Srinivasa Iyengar
Supdt. Budget Book Depn
28.7.24.



To Mr. Sundaram Kandaiyan
for kindly inserting the
figures
average 2.8.44 72 3/4 pc
The rate of purchase
upto date is ~~72 3/4~~ 72 pc

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Please let me have information on the following points:-

1. What is the actual amount of 6¼ % debt including the investments on behalf of Muztai Institutions?
2. What is the total amount of 6½ % debt?
3. What will be the total of the Sinking Fund Contributions for the 6¼ % loan together with interest at the end of the current year?
4. What will be the total Sinking Fund contributions for the 6½ % loan together with interest at the close of the current year?
5. What is the face value of the securities held to the credit of the Railway Sterling Loan?
6. What is the face value of the Railway Debenture Stock -- both 1936 and 1938 -- bought through Coutts & Co.?
7. What is the actual price paid for the stock so far purchased and what is the average rate per cent of nominal stock?
8. Since the authority was recently conveyed for purchasing Railway

N.B.—Should routine notes be written on small slips the notes must be copied, or slips pasted on this form.

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Railway Debenture Stock for Rs.5 lakhs what is the monthly average quantity bought by Coutts & Co and what is the average price paid per cent of stock, calculated on these recent purchases?

I shall be obliged if the above particulars are supplied to me as soon as possible in the course of the day.

28/6/24

The Superintendent -
Book Section.
Compton Street

N.B.- Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

Face value of H. Pen. Bds. Purchased. 1936	1938	Total Cost £
10000	-	7474-10-6.
50000	-	37497-10-0
40000	-	30048-12-6.
3380	-	2526-17-6.
32000	-	24150-8-6.
33000	-	25582-10-3
15000	-	11666-4-6.
1000	-	760-10-0.
1000	-	760-10-0.
1000	-	760-10-0
1000	-	757-14-6.
2500	-	1894-4-0.
12500	-	9311-14-3.
202380		£ 153.192-6-6

1936	1938	Total Cost £ s d
1000	-	745-3-3.
1000	-	745-3-3
500	-	389-2-0
3000	-	2288-3-0.
500	-	381-11-3.
1000	-	757-14-6.
1000	-	732-12-0
3000	-	2197-4-0
500	-	369-0-0
8000	-	5757-10-6
4969	-	3764-11-0.
1000	-	760-9-9.
10000	-	7575-10-6.
6500	-	4907-19-6
1000	-	757-14-6.
-	1500	1053-4-9.
42969	1500	£ 33.182-13-9

1936 £	1938	Cost £
1500	-	1186-13-0
	2000	1387-3-6.
1000	-	752-14-0
1000	-	752-14-0.
-	1000	693-13-6.
-	1000	693-13-6
-	1000	678-12-0.
5000	-	32484-18-6
-	250.	163-9-9.
-	1000	702-4-0.
-	2000	1306-15-6.
1000	-	699-13-9
3000	-	2091-3-6.
-	1000	653-9-6.
-	1000	653-9-6.
-	1000.	653-9-6
		16505-17-0

1936. £	1938.	Cost.
1400	-	954-3-6.
-	3000	1907-6-3
-	2500	1570-12-9.
-	5000	3141-1-0.
-	1500	934-17-6.
3000	-	2033-6-9.
-	1000	623-6-6
-	2000.	1246-9-6.
-	2500	1558-1-6
7000	15559	17424-12-5.
11400	33,059	31393-17-8
16500	74788	
202380	1500	
42969		
273249	109847	

F.V. Cost.

£ 382,596 £ 278554-2-6

Say £ ~~383,600~~ Cost. £ 278600

~~or 38306~~
38260

$\frac{1393}{2786} \times 100. = 1918)\overline{139300}(\pounds 72\frac{2}{3}\%$

~~1918~~
~~13908~~
~~24220~~
13426
5040
3886
~~1204~~
~~1118~~

602/959

$\frac{139300}{278600}$
~~3826~~
913

The rate

$\frac{1393}{278600}$
~~3826~~

1913) 139300 (72
13391
5390
3826
1564

913) 139300 (72 3/4
13391
5390
3826
1564

913) 31280 (16
1913
12150
9578
1147 8.

-	2500	1633-9-0.	
	500	326-16-0	Excess of £9.18 agreed returned
-	1000	653-9-6.	— 8-15-0.
1000	-	697-36.	
-	5000	3272-9-0.	
-	1000	653-9-6.	
2,800	-	2091-3-6.	
-	9000.	5947-12-3.	
-	18000	8558-4-0.	
-	2038	1355-9-4	
-	1000	655-19-9	
-	1000	658-10-0. — £14-0-0.	
-	1000	645-18-9.	
	1000	645-18-9.	
-	4500	2917-8-9.	
-	5000	3241-11-0	
-	5000	3254-2-3.	
-	2500	1620-17-9.	
-	1500	970-13-6.	
-	7000	4502-16-6.	
16,500	74,788	44304-2-7	44304-2-7
			— 22-15-0
			44,281-7-7

44,281-7-7
16,503-17-0.
31,893-17-8
153,192-6-6.
33,182-13-9

£ 278,554-2-6

1923-24.

File No. G. F. 162 of 1923. Serial No. 5 A.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

PROCEEDINGS OF THE GENERAL AND REVENUE SECRETARIAT.

GENERAL FINANCE

"A" Collection. **Serial No. 5 A.**

SUBJECT.

Proposal for the purchase of some of the Debenture Stock of Mysore Railway Sterling Loan

TABLE OF CONTENTS.

Serial No. of File	Number and date of letter and contents	Page in "A" Proceedings
5 A	No. Fl. 1154 dated 25th August 1924, to the Comptroller to Government stating that the limit of Rs. 5 lakhs fixed in Government Order No. Fl. 5063 dated 10th March 1924, has been raised by Rs. 10 lakhs and requesting that arrangements may be made to continue the purchase of the stock through Messrs. Coutts and Company, London.	3

Financial Secretary's Note dated 4th August 1924 in the matter of the purchase of the Debenture Stock of Railway Sterling Loan.

---

1. During the War the value of money went up and the consequence was that the quotations for stocks of different kinds with fixed rates of yield below the market level, went down. The Debenture Stock of our Railway Loan came under the influence of this factor and its capital value dwindled down to a discount of about 30 per cent. As Comptroller I proposed to purchase this stock to take advantage of the large discount prevailing at the time and the proposal was approved by Government and we bought a fairly large quantity of the stock. When however, we were overtaken by financial difficulties and our cash position necessitated heavy borrowing to finance our capital demands, it was impossible to find money for continuing the purchase of these Debentures and the arrangement had accordingly to be held in abeyance. Quite lately, however, I found it desirable to resume it and proposed that an order might be placed with Messrs. Coutts, & Co., to purchase the stock, in the first instance, for a sum of Rs. 5 lakhs which represented the annual income from the existing Sinking Fund for the Sterling Loan. We had been selling from our own holdings for investment of the interest income of the Fund and as we had no more securities to sell and as it was desirable to take advantage of the still prevailing heavy discount quotations of the stock, I suggested the resumption of its purchase. This was approved and orders were accordingly issued in letter No. 5063 dated 10th March 1924. Messrs. Coutts, & Co., have been purchasing at the rate of about £ 11,000 stock each month from May last and at this rate the limit of Rs. 5 lakhs will soon be exhausted.

2. It is now necessary to decide whether the purchases should be continued or not after the limit of Rs. 5 lakhs is reached. The long pending question in regard to the Sinking Fund has now been practically settled and the Secretary of State has decided that the corpus of the Fund should not be restored to us but that we should be permitted to take the annual interest of the Fund for a long number of years. The questions to be considered are two. (1) Is it advisable to continue the purchase of this stock; and (2) If it is advisable, how should money be found; The recent purchases of this stock made by Messrs. Coutts, & Co., have been at the rate of 76¼ per cent which includes all incidental charges as also accrued interest up-to-date of purchase. Making allowance for the element of interest, we may take it that it costs on the whole about 76 per cent to buy up this stock. At this rate the flat yield on the investment is 5·26 per cent. We may compare this with the yield of rupee investments in India. The two loans of the Government of India now on offer both carry the interest rate of 5 per cent and the issue price of the long term loan is 99 and that of the short-term loan is 98¼ per cent. The yield of the long-term loan is 5·08 per cent and that of the short term loan 5·05 per cent. It will be seen that judged from the point of view of pure yield, investment in our own Railway Debenture Stock is more advantageous, taking the present quotations for the different kinds of securities compared.

3. Investment in the Railway Debenture Stock has another advantage of great value to which it is necessary to invite attention. This stock is our own debt and we have to redeem it at par. If we buy it up when its value is below par, the difference between the par value and the purchase price is pure gain to us. This difference on the present quotation is about 24 per cent.

4. We have so far purchased stock of the value of £ 382,596 and of this £ 273,249 is the stock of our own Loan and the balance, that of another debenture issue of the late Southern Mahratta Railway Company which is identical in every respect with our own Loan and in which the Secretary of State has permitted us to make investments on account of the Sinking Fund for our Loan.

5. Including the purchases that can be made out of the balance of Rs. 5 lakhs, the aggregate stock bought may be roughly taken at £400,000. The Sterling Loan is £1,200,000 and the balance left is, therefore, £800.000. As the current market value of this stock is about 76 per cent, the total sterling amount required for the purchase of the whole of the remaining balance is £ $\frac{800,000 \times 76}{100}$ = £608,000. This amount converted at 1 sh. 4 d. the rupee, will be Rs. 91,20,000. If, however, we take the current rate of exchange which is above 1 sh. 4 d., the rupee equivalent will be less than Rs. 91,20,000 by some lakhs. While the amount required for buying up the whole of the balance of the Loan is about Rs. 90 lakhs; the Sinking Fund which has so far been built up for this Loan and which is now in the hands of the Government of India amounts about Rs. 140,000,000 taking the nominal value of the securities and about Rs. 95,00,000 taking their realisable cash value. It will thus be seen that we have in the Sinking Fund now existing the whole amount required for buying up the balance of the Debenture Stock.

6. The Sinking Fund is not in our custody and even if it were, it is not desirable to dispose of it as the bulk of its holding consists of 3½ per cent rupee paper which we may expect to slowly appreciate in value as the rate of interest goes down. For these two reasons, the disposal of the Sinking Fund intended for the Sterling Loan, for the purchase of the Loan itself is neither possible nor advisable. But we have in the Sinking Funds of our 6¼% and 6½% loans the means necessary for resuming the purchase of the Railway Loan Stock. These two loans are long-term loans and the question of converting into cash the securities of their sinking funds does not arise for another 16 or 17 years. In all probability, fresh loans carrying lower rates of interest than 6¼% and 6½% will be offered for issue simultaneously with the notification for the discharge of these two loans when the terms of their currency expire and when such a conversion operation is adopted, most of the bonds will be tendered as subscription to the new loan and there will be no need for disposal of the securities of the sinking funds held therefor.

7. In the circumstances explained above, the following proposal is practicable and advisable: The existing Funds for the 6¼% and 6½% loans as well as the future additions to such loans may be utilised for the purchase of the Debenture Stock of out Sterling Railway Loan. Whether the whole of this Stock could be bought up or nor depends entirely upon the supply of it, offering for sale in the market. It is immaterial whether we shall be able to buy up the whole of the balance or not. The advantages of the purchase, if they cannot be had in respect of the whole of the remaining Stock, may be obtained for as much of it as could be bought. If it becomes possible to buy up the whole balance and if such purchases can be made when the discount continues to be as large as it now is and when the exchange rate is as favourable as it now is for remittances from India—in the case of this purchase the transaction amounts to remittance of money from India to London—the benefits resulting from the proposal will be very substantial. When the whole of the balance of the Stock is bought up there will be no need for the Sinking Fund now held by the Government of India and it must be restored to us as a matter of course. The restored Sinking Fund will become the Sinking Funds of the 6¼% and 6½% Loans to the extent the similar funds of these loans will have been used for the purchase of the Debenture Stock.

8. As the first step in giving effect to the suggestion made in the preceding paragraph, I propose that the Comptroller may be authorised to instruct Messrs. Coutts & Co., to continue the purchases on the present terms of the Debenture Stock for another Rs. 25 lakhs. The present balance of the Sinking Funds of the 6¼% and 6½% loans is Rs. 23 lakhs and I have suggested that the limit may be placed at Rs. 25 lakhs in round figures.

9. We may see how the enhanced limit works and within what time it will be exhausted. When the time comes for extending the limit, we may review the situation in relation to the then existing conditions and decide what action should then be taken.

M. N. K.
4-8-27

Dewan.

10. I should like to discuss this with the Financial Secretary.

A. R. B.
5-8-24

11. Discussed.

Purchase of this stock up to a limit of 10 lakhs from the accumulated sinking fund of the 6¼% and 6½% per cent loans may be ordered through Coutts. This may probably take 9 months to one year and the situation may be revised. D. S. N. for His Highness information.

A. R. B.
25-8-

12. Issue draft to Comptroller.

Letter No. Fl. 1154, *dated 25th August* 1924, *from the Financial Secretary to the Comptroller to the Government of Mysore.*

'In continuation of para 3 of my letter No. 5063—G. F. 162-23-2, dated 10th March 1924, I am directed to state that the limit of Rs. 5 lakhs fixed therein is raised by Rs. 10 lakhs and to request that arrangements may be made to continue to purchase the Stock through Messrs Coutts & Co., up to the enhanced limit. In the instructions to be issued to Messrs. Coutts & Co., it may be stated that preference may be given to the 1936 Stock.

13. D. S. N. put up.

Dewan.

M. N. K.
25-8-24.

14. A. R. B.
1-9.

Submitted to His Highness.

15. With a view to take advantage of the heavy discount at which the stock of our Sterling Railway loan was being quoted in the London Market some time back, arrangements were made to purchase the stock, but the scheme had to be abandoned when, owing to financial stringency, there was no surplus cash for investment.

16. We have so far purchased stock of the face value of about £ 400,000 and the balance of stock is £ 800,000. If we can buy up the stock at the large discount at which it is still quoted—the present quotation is about 76 per cent—we shall make a substantial saving to the extent of the discount secured, as we shall be saved from the obligation to redeem the loan at par according to the conditions of its issue. We have, however, no surplus cash for making these purchases and the interest income of the Sinking Fund of the loan will not also be hereafter available for the purchase of the stock as the Secretary of State has agreed to give it to us and we have to make use of it for our capital purposes. We have, however, the Sinking Funds of our two long term loans—6¼ per cent and 6½ per cent—and these funds could be utilised to resume the purchase of the sterling Loan Stock. The advantages of the arrangement are the following:—

(1) We shall get the benefit of the difference between the par value at which the stock is repayable and the rate at which it is actually purchased. The transaction amounts to the cancellation of the debt to the extent of the difference.

(2) For the Sinking Funds of our 6¼ per cent and 6½ per cent loans, we can get in India, Rupee investments which can yield only about 5 per cent. By investing these funds in our own Railway Stock, we shall obtain the same yield, or, if the Stock can be had at the present rates, even a slightly better yield than what the Rupee paper gives in India.

(3) If we can purchase the whole of the remaining stock, we shall be getting rid of the Sterling loan altogether with all the inconveniences which are incidental to a Sterling obligation in respect of which the Secretary of State is the guarantor.

(4) When the whole or the bulk of the stock is bought up, the need for a Sinking Fund for the Sterling loan will not exist and we can ask the Secretary of State to make over to us the existing Sinking Fund and use it as the Sinking Fund for our 6¼ per cent and 6½ per cent loans.

17. In view of the above considerations, it is proposed to authorise the Comptroller to purchase, through Messrs. Coutts, & Co., the said stock for Rs. 10 lakhs more. The position will be reviewed after this limit is exhausted. I report all these facts for the gracious information of His Highness.

A. R. BANERJI,
1-9-24.

18. Order.
K. R. W.
5-9-24.

W D 299—GPB—105—12-10-27.